

State Employee Benefits Committee
Monday, January 6, 2014 at 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on January 6, 2014, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB	Jennifer Mossman, Highmark DE
Brenda Lakeman, Director, OMB, SBO	Joe Morocco, HMS
Faith Rentz, Deputy Director, OMB, SBO	Karol Powers-Case, DRSPA
Casey Oravez, OMB, Financial Operations	Sandy Richards, AFSCME-R
Dawn Guyer, OMB, Financial Operations	Richard Phillips, DSEA-R
Leslie Ramsey, OMB, SBO	Katherine Impellizzeri, Aetna
Dawn Davis, OMB, SBO	Karin Faulhaber, PHRST
Rebecca Reichardt, OMB	Pat Griffin, SEBAC Chair
Stuart Wohl, Segal	Amy Quinlan, AOC
Howard Atkinson, Segal	Carrie Schiavo, Delta Dental
Michael Morton, Controller General	Ronald Burrows, DRSPA
Valerie Watson, Department of Finance	Dave Leiter, DHSS
Paul Silverman, DHSS	Leighann Hinkle, OMB
Andrew Kerber, DOJ	
Karen Weldin Stewart, Insurance Commissioner	
David Craik, Pension Office	
Kelly Callahan, Office of the Treasury	

Introductions/Sign In

Director Visalli called the meeting to order at 2:00 p.m. Anyone who had public comments was invited to sign-in and any others wishing to comment would be given the opportunity at the end of the meeting. Introductions were given around the room.

Approval of Minutes

Director Visalli requested a motion to approve the minutes from the November 4, 2013 SEBC meeting. Controller General Morton made the motion and Ms. Valerie Watson seconded the motion. Upon unanimous voice vote the minutes were approved.

Director's Report – Brenda Lakeman

Open Enrollment for the Flexible Spending Account (FSA) program closed on December 2, 2013. There was a 5% increase over participation in 2013. Just under 4,800 employees enrolled in the Health Care FSA and almost 300 enrolled in the Dependent Care FSA. A total of 550 elected both accounts. About 50% of those in the Health Care FSA account opted for the Benny card, which is a debit card that can be used at the point of sale.

A notification to adjust the amounts allowable for the Pre-tax Commuter benefit in 2014 has increased the parking from \$245 to \$250 but the van pool and mass transit benefit has been decreased from \$245 to \$130. ASI will make adjustments to deductions automatically, increasing those that elected \$245 for parking to \$250. In turn, those that elected more than \$130 for van pool or mass transit will have the deduction amount over \$130 adjusted to after-tax deductions. In addition, the contract for ASI will expire at the end of 2014, so a Request for Proposal (RFP) will be conducted early this year to prepare for a new contract effective January 1, 2015.

The Defense of Marriage Act (DOMA) post tax and imputed income refunds were processed to employees who cover/covered a same-gender spouse in health benefits during CY2012 and CY 2013. In total, 33 employees received a

refund of approximately \$8,600 in 2012 and 31 employees received a total of almost \$11,000 in 2013. We are working with the Treasurer's Office to complete the tax form for the adjustment of employer paid taxes.

The DelaWELL Early Bird payment was made on December 13, 2013 to approximately 2,307 employees. This was a slight decrease from the December 2012 payments. The Governor's email, out this week, will hopefully increase participation. We intend to communicate and continue to promote the plan over the next few months. Employees have until the end of May to complete the steps to earn the incentive rewards. A survey will go out within the next couple of months to help determine why employees do or do not participate to try and get employees engaged.

The RFP for the Disability Insurance Program is in the final stages. Six vendors were narrowed down to just two finalists. A recommendation for the contract award will be presented to the SEBC at the first meeting in February for a July 1, 2014 effective date.

Effective January 1, 2014 State of DE moved from the National Preferred Formulary (NPF) through Express Scripts to the Basic Formulary. The Basic Formulary option had 89 drugs shift from Preferred to Non-Preferred status but no drugs were excluded. If we had stayed with the NPF approximately 1% of the medications would have been excluded from coverage. At the end of November, Express Scripts sent letters to impacted members to allow time to talk to physicians and consider alternative drug options. A follow-up letter in December advised that a number of those drugs that moved to Non-Preferred status would be excluded effective July 1, 2014. Controller General Morton asked how many employees would be affected and drugs excluded. Ms. Lakeman commented that there are approximately 4,492 impacted members and 29 drugs that will be excluded in July.

Group Health Financials – handout

Ms. Oravez reviewed and discussed the October and November 2013 Fund and Equity Reports. It was noted that the fund balance decreased to (\$2.0M) in October and improved slightly in November ending with a (\$185.3) deficit on November 30.

Ms. Rentz reiterated that year to date; the fund has experienced a \$30M loss. A variety of factors have caused this significant decline. Five weeks of claim payments in July and October account for the largest portion of the additional expenditures along with beginning plan year adjustments to the claim liability, minimum reserve and outstanding obligations carried at the bottom of the report. It was also discussed that with the implementation of the Medicare Part D Prescription drug program in January 2014, that the health fund reduced medical and prescription premiums for Medicare retirees as required to offset the projected rebates, subsidies and reinsurance funds that are associated with the program. Unfortunately, there are varying lag times in when these monies are processed and received by the fund. The Statewide Benefits Office and Segal are working to provide more details on the estimates and timing of these monies and will have that available for discussion at the January 24, 2014 SEBC meeting.

Mr. Atkinson, Segal, reviewed the FY14 Quarter 1 Financial reporting and attention was drawn to additional information being provided in the executive summary to keep the SEBC mindful of how the actual experience compares to the projected claims experience used when the rates were set in March for the FY14 plan year. Through September 30, 2013, a 1.6% change in the claims experience was realized when compared to the initial projections provided to the SEBC earlier in CY2013.

Discussion also occurred related to the expectation that the fund balance would decline as \$32.0M in surplus funds was approved by the SEBC in March 2012 to cover anticipated expenditures in FY13 and another \$12.5M in March 2013 for expenditures projected through June 30, 2014. While the experience in FY13 was more favorable than expected, the combination of factors previously discussed as well as a larger than normal payment of Highmark claims incurred in FY13 and paid in early FY14 account for the exhaustion of funds. Assuming claims experience remains in line with the

initial projections the ending balance should increase slightly as some of the federal government reimbursements begin to flow into the fund in early 2014. In the meantime, additional adjustments will be considered to the bottom of the Fund & Equity reporting to include the estimated but not yet received revenues associated with the Medicare Part D Prescription drug program and hopefully provided to the SEBC as part of the December reporting.

Group Universal Life Insurance Program Update

Ms. Lakeman commented that since the last SEBC meeting the Segal Company has researched and interviewed six large vendors to compare plan design to the current plan. Several vendors would be able to administer as we exist today. A summary of the interviews along with information on the life insurance benefits available through other State plans will be presented to the SEBC on January 24. The Statewide Benefits Office will move forward with a Request for Proposals later this year for a contract effective date of July 1, 2015.

SEBAC Comment

None.

Public Comment

Mr. Leiter, DHSS, thanked everyone for their hard work and asked that the Committee considers the cost for the lower paid employees. He also expressed concern over the annual process that the SEBC undergoes to determine rates and how the process is not reflected positively by the media.

Director Visalli reminded everyone that the next SEBC meeting would be on January 24, 2014. Director Visalli asked for a motion to adjourn the meeting. Controller General Morton made the motion and Insurance Commissioner Stewart seconded. With unanimous voice approval the motion carried. The meeting adjourned at 2:40pm.

Respectfully submitted,

Dawn M. Davis
Executive Secretary
Statewide Benefits Office, OMB